

21 NOV 1982

MEMORANDUM FOR: The Comptroller

SUBJECT: Delinquent Advances

1. This is in response to your recent request to provide you with some statistics and information concerning the status of delinquent advance accounts, and to comment upon the general effect that delinquent accounts have upon effective personnel utilization in the Agency.

2. For the past several years a high percentage of advances made to employees, agents, and headquarters projects have not been accounted for on a prompt and timely basis. At the present time approximately 50% of all outstanding advances to headquarters employees, agents, and projects are delinquent or the accountings, if made, are unprocessed. There are several causes for this:

a. Failure of employees to prepare their accountings and/or to make refunds before the accounting due date. This is generally attributable to procrastination on the part of the employee rather than to any desire or intention on his part to evade his fiscal responsibilities.

b. Failure of Division Support Staffs and BF officers to vigorously follow-up with employees responsible for submitting accountings, and failure to promptly process and forward accountings to the Finance Division.

c. Failure of the Finance Division to promptly audit, certify, and process accountings received.

d. Failure of the ADP Division to properly program the transactions for purposes of reporting the current status of each account or to promptly process the financial transactions received, and provide the Finance Division and the operating offices with a visual up-to-date record of financial transactions processed.

The resultant effect of these delays or lags in processing accountings makes our accounting system sluggish and unresponsive to management needs. The system does not accurately reflect current financial events, primarily because the system is moving at a slower rate than the events it purports to control and record.

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3. During the month of July 1961 the ADP Division processed 3,070 transactions pertaining to advances made to, and accountings and refunds received from employees, agents, and projects. In July 1962, 4,817 such transactions were processed. It is assumed that at the present time approximately 4,000 transactions per month are recorded in these accounts, i.e., 2,000 debit and 2,000 credit transactions. Further it is estimated that there are between 8,000 and 10,000 line item transactions (the majority of which are debit entry amounts) recorded in these accounts at the present time, and that the average elapsed time between receipt of an advance and settlement by means of preparation and processing of an accounting and/or refund is from 90 to 120 days. This in effect means that advances made in July are accounted for or settled in October or November, and that August advances are settled in November or December, and so the cycle goes. Our objective is to reduce the accounting cycle to forty-five (45) days and in turn reduce by one-half the number of outstanding advances which require policing and reporting action.

4. There are approximately [] Agency employees involved at all times in the process of receiving and accounting for advances [] advances, [] Division BF employees, and [] employees in the Comptroller's Office). It is obvious that the manpower and machines utilized in printing, sorting, reviewing, analyzing, and following up on 8,000 or 10,000 line items is considerably more than would be required in handling half that number. We cannot state with statistical accuracy the amount of excess manpower expended due to delinquencies and lags in our accounts, but our best estimate is that it takes in the aggregate, five times more manpower to handle a delinquent account than it does a current account. The following examples will serve to illustrate the nature of some of the tasks generated as a result of delinquencies or lags in the accounting process:

a. The Finance Division initiates an average of 150 to 200 memoranda each month following up on delinquent items. This requires that a detailed analysis be made of each delinquent account.

b. The Area Division BF personnel also initiate many memoranda on this subject.

c. Hundreds of telephone calls pertaining to delinquent advances are made each month by the Finance Division, Area Division BF officers, and individual advancees.

d. The excess paper generated because of delinquent advances represent a sizeable logging, filing, and storage task.

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e. Time lags in receipt of machine reports generate a considerable amount of manual record keeping in the Finance Division and the Area Division BF offices and an undue amount of analysis work because of documentation in the "pipe line".

f. Delinquent accountings are seldom well prepared. They contain too many estimates, guesses, and omissions, and too few facts. The time required to audit and process such accountings is considerably greater than that required in the processing of current accountings.

g. The incidence of losses, shortages, and misuse of official funds occur much more frequently when accountings are delinquent than when accountings are current. The handling of such incidents requires time consuming analysis, reporting, and frequently involves the utilization of the time of investigative personnel as well.

4. Attached as Tab-A is a detailed analysis showing the status of outstanding advances to employees and agents, and the number of delinquent advances, by Agency components as of 31 October 1962. As you will note 43.3% of all outstanding advances to employees are delinquent, and 56.4% of all advances to agents are delinquent. All of these delinquent advances are not attributable to failure of the advances to account on time, some are the result of systems and processing lags in the area BF offices and in the Finance Division. You will note, however, that 116 employees and 38 agents are delinquent because of failure to refund unexpended balances at the time they submitted their accountings.

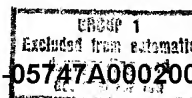
5. There follows an outline of some of the actions which have been, or are being, taken in an effort to reduce the ratio of delinquent advances:

a. Arrangements were made in August 1962 with the ADP Division to provide individual up dated statements for each advance account each time a transaction is recorded in the accounts, and for the delivery of such statements to the Finance Division and each Area Division within three (3) days following the date of the recording. This statement replaced the monthly and bi-monthly runs previously issued, and provided the Finance Division and the Area Division BF officers with current information on which to take follow-up action on delinquent advances. This system worked well until just recently when the ADP Division fell behind schedule because of a shortage of key punch operators.

b. The Finance Division is initiating a written follow-up on each case over sixty (60) days delinquent with a request for positive action in accordance with the provisions of [REDACTED]. We are also

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initiating positive written requests for immediate refunds in each instance where an advancee fails to refund unexpended balances of advances at the time he submits his accounting.

c. The average time required to audit and process an accounting by the Finance Division has been reduced from approximately eight to nine days to five or six days. Our objective is to reduce the average processing time to three or four days.

d. We have discussed with the Area Division BF officers individually and collectively the need for vigorous follow-up on all delinquent advances (not just those which are delinquent in excess of 60 days), and have stressed the importance of processing accountings promptly. The performance by Area Division BF offices varies considerably and the Comptroller's Office should conduct an internal audit or review of the procedures and processes in each BF office to insure that the BF functions, including the prompt handling and follow-up of advances, is being properly conducted. The Deputy Comptroller has requested that such a review be undertaken as soon as possible by a Task Group of one officer from TAS, one from Finance Division, and one staff officer from the Comptroller's Office.

e. Announcements have recently been made in various staff meetings throughout the Agency that management stood four-square against delinquency. This has created an awareness that delinquency is a sin, but it hasn't as yet been effective in eliminating the sin. Some more positive action by line officials appears to be needed.

6. It is evident that Agency manpower is being dissipated in the performance of certain tasks generated because of the lags and delays connected with the submission and processing of accountings and refunds. There are four groups, the ADP Division, Finance Division, Area Division BF officers, and the individual advancees, who are collectively responsible for these delays. Failure by any one of these groups to perform their tasks on a timely basis generates additional and unproductive work for the other groups. Positive action by all of these groups is necessary if we are to maintain our accounts on a current basis and eliminate the waste of manpower presently involved.

[Redacted Signature Box]
Chief, Finance Division

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Attachment

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